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UNITED STATES DEPARTMENT OF AGRICULTURE  
Bureau of Agricultural Economics  
Washington

CS-5

March 30, 1937

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THE COTTON SITUATION  
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SUMMARY

A very rapid rise in spot cotton prices began at the end of February. From a February average of 12.90 cents, the 10-market price rose to 14.42 cents in the week ended March 20. The latter was the highest average price for any week since the week ended June 7, 1930.

The receipt of requests for the release of approximately 973,000 bales Government-financed cotton up to March 25 indicates the probability that while stocks of "free" cotton in the United States at the end of the present season will be smaller than in any recent season, with the exception of last year, they may be slightly larger than average stocks in this country during the last half of the 1920s.

Mill activity and cotton consumption in the United States continued at a record breaking level during February. Consumption in the 7 months from August through February was 28 percent more than in the corresponding period a year earlier.

In foreign countries, especially in Japan, China and the United Kingdom, total utilization of raw cotton and output of cotton textiles are extremely high. In these three countries and in foreign countries as a whole, however, imports and apparent consumption of American cotton were about 15 percent lower in the 6 months August through January 1937 than in the corresponding period a year earlier.

The total world consumption of all cottons was 8 percent larger than in the first half of last season. The heavy consumption by mills in the United States more than offset the decreased consumption of American in foreign countries, and world consumption of American cotton in the first 6 months of this season showed an increase of more than 300,000 bales, or 5 percent, over the corresponding period last year. Total mill consumption of cotton in foreign countries was 10,527,000 bales from August through January of this season, an increase of between 2 and 3 percent over last year and of 21 percent over the average for the 10 years ended 1932-33. This high level of consumption resulted from the record high world utilization of foreign cotton (mostly all consumed in foreign countries), which was 11 percent more than in the first half of 1935-33 and 58 percent more than the 10-year average. World consumption of Indian cotton was 7 percent more than last season and 8 percent above the 10-year average. World consumption of Egyptian was slightly larger than in the first half of 1935-36 and was a record high. The consumption of sundry cottons was 15 percent above the corresponding period a year earlier and 118 percent more than the 10-year average.

#### Domestic Prices Rise Sharply

The price of Middling 7/8" cotton at the 10 markets averaged 12.90 cents in February, the highest February average since the corresponding month of 1930. About the end of the month, however, a very rapid rise began which carried the 10-market average to 13.57 cents in the week ended March 6, to 14.05 cents in the week ended March 13, and to 14.42 cents in the week ended March 20. The latter was the highest average price for any week since the week ended June 7, 1930. Several important factors have contributed to the advance in cotton prices. First, cotton consumption and mill activity in the United States have continued at high levels. Second, exports during February and the first part of March were slightly larger than a year earlier, whereas in the first half of the season they were running considerably below the corresponding months a year earlier. Third, the supply of cotton in trade channels in the United States is materially smaller than in any recent year with the exception of last season.

and, according to the New York Cotton Exchange Service, a considerable part of the extra mill stock of "free" cotton in the United States is rather unattractive to domestic spinners, because of location and quality, or because the bales have been compressed to high density for export. It is also reported that the supply of cotton actually available for sale is somewhat smaller than appears to be the case because of an unusually large forward sale by shippers for shipments during the remainder of the season. Fourth, the release of Government-financed cotton since January 1 has been, perhaps, more of a price-strengthening than a price-weakening factor. While the supply of "free" cotton has been augmented, the unexpectedly large quantity released in the face of the stiff terms imposed by the Commodity Credit Corporation impressed the trade with the strength underlying the market and has tended to stimulate further the market for spot cotton. Finally, cotton prices undoubtedly have been affected to some extent by the recent strength in raw material prices since January which has reflected the upward trend in world industrial production and the continued heavy, and anticipated heavier, expenditures by certain foreign countries for armaments.

The prices of foreign cotton at Liverpool, expressed as a percentage of American, did not show any important changes in February nor in the first 3 weeks of March compared with January. Egyptian, Brazilian and Peruvian, especially Peruvian, strengthened somewhat relative to American Middling, while the average price of three types of Indian weakened as compared with two types of American. With the exception of Indian, prices of foreign cotton increased as much or more than American during the period of swiftly rising prices in the first half of the month.

#### Substantial Quantity of Government-Financed Cotton Moves Into Trade Channels

The Commodity Credit Corporation has announced that up to and including March 25 requests for releases totaling 973,000 bales of loan cotton had been received. This is a considerably larger quantity than the trade had expected would be released during the entire period from February 1 to April 1. The Commodity Credit Corporation's selling terms provide that the release prices on any given day are to be based on the 10-market average prices for Middling spot on the previous day. Sales of loan cotton up to the present time have undoubtedly been greatly stimulated by the fact that the market has been advancing most of the time.

Assuming that domestic consumption plus exports for the entire season will bear the same relation to the total for last year that consumption and exports so far this season bore to those of the corresponding months last year, total domestic consumption plus exports for the 1936-37 season will amount to more than 15,000,000 bales. The carry-over in the United States on August 1 would be about 4,500,000 bales. If it is assumed that approximately 1,300,000 bales of loan-stock cotton are released under the present plan, the operation of which is scheduled to end on April 1, and if it is further assumed that no additional quantities of loan cotton are released, the stock of "free" cotton in the United States on August 1 would amount to about 2,800,000 bales. This

would be considerably smaller stock of "free" cotton than has existed on the corresponding date in any recent year, with the exception of last season, but it is slightly larger than the average carry-over in the United States in the 5 years ended August 1, 1929. In the 5 years ended 1929-30, however, consumption plus exports of American cotton averaged about 15,000,000 bales or about 2,000,000 bales more than the anticipated total for this season.

According to the International Federation of Master Cotton Spinners' and Manufacturers' Associations, world mill stocks of all kinds of cotton on February 1--5,891,000 bales--were 1,000,000 bales or 21 percent larger than on February 1 last year. About one-third of this increase took place in foreign countries and about two-thirds occurred in the United States. Comparing February 1, 1937, with August 1, 1936, there was a comparatively small increase in mill stocks in foreign countries, but a rise of about 1,200,000 bales in mill stocks in the United States.

World mill stocks of American cotton on February 1 were 500,000 bales larger than on February 1 last year and slightly larger than February 1 stocks during the 10 years ended 1932-33.

Mill stocks of American cotton in foreign countries on February 1 were 12 percent less than on the corresponding date last year and 33 percent less than the 10-year average. They were not particularly small, however, in view of the lower level of foreign consumption of American cotton this season as compared with last year and with the 10-year average. Mill stocks of foreign cotton, especially Sundries, on February 1 were more than twice as large as in the 10 years ended 1932-33, but were not out of line with the increased consumption of this cotton by foreign mills. (See table at end of the report.)

#### Exports from United States Improve - Exports from India and Egypt Very Large

Exports of American cotton in February were 462,500 bales or 14 percent larger than in February 1936. Most of the increase resulted from larger exports to the United Kingdom and to Japan, especially the latter. Exports to France, Italy and Germany were smaller than in February 1936. Exports in the 7 months from August through February were 3,898,000 bales or 12 percent less than in the corresponding period a year earlier.

While the improvement in exports in the first part of 1937 over 1936 is a hopeful sign, it should not give rise to undue optimism. According to the New York Cotton Exchange Service, forwardings of American cotton to foreign mills in the 4 weeks ended March 13 totaled only 423,000 bales compared with 581,000 a year earlier. Furthermore, stocks of American cotton afloat to foreign countries and at foreign ports about March 15 were 161,000 bales larger than a year earlier. These facts suggest the possibility that the recent increase in exports may be short lived.

The 514,800 bales of cotton exported from India in January were 82 percent larger than last season and 43 percent above the January average in the 10 years ended 1932-33. This was the largest amount exported from India in any January on record and, with the exception of March 1925 and February 1926, was a record high for any month. For the most part this very large volume of exports resulted from the extremely heavy shipments to Japan which were  $2\frac{1}{2}$  times as large as in the corresponding month a year earlier and were the largest shipments of cotton from India to Japan in any month on record. Exports from India to all countries of 1,458,700 bales in the 6 months August through January were the largest for any corresponding period since 1930-31.

Exports of cotton from Egypt in February were 213,600 bales of approximately 478 pounds net and were the largest exports for any February since 1914. In February 1936, exports from Egypt to all countries totaled 126,800 bales and in the 10 years ended 1932-33, 133,400 bales. Exports of 1,266,100 bales in the 7-month period ended February were a record high for the period, being 9 percent greater than shipments of 1,164,600 bales last season and 31 percent above the 10-year average of 960,300 bales. While exports to all important countries so far this season have been larger than the average for the period 1923-24 to 1932-33, they have been especially large to Japan. Shipments to Japan were 171,800 bales compared with 73,100 in the same 7 months last season and the 10-year average of 44,000 bales.

### The Textile Situation

#### World consumption of cotton at record high level - foreign mill consumption of American small

According to consumption data recently reported by the International Federation of Master Cotton Spinners' and Manufacturers' Associations, world mill consumption of cotton in the 6 months ended January 31, 1937, amounted to 14,375,000 bales, 1/ a larger consumption of all cotton than in any corresponding period on record. It is nearly 1,100,000 bales or 8 percent more than in the same 6 months last season and 2,600,000 bales or 22 percent more than average consumption during the first half of the 10 seasons 1923-24 to 1932-33.

World utilization of American cotton from August through January of this season amounted to 6,509,000 bales compared with 6,181,000 bales in the corresponding period in 1935-36 and 6,747,000 in the 10 years ended 1932-33. The increase compared with last season is due entirely to the very large consumption in the United States. Consumption of American in foreign countries amounted to only 2,742,000 bales, 15 percent less than last year and 27 percent less than the average for the 10 years 1923-24 to 1932-33. The quantity of American cotton used by mills in foreign countries in the first half of this season was the smallest since 1923-24 when foreign mills used 2,780,000 bales or slightly more than this year. Total consumed in foreign mills, however, increased 50 percent from 1923-24 so that the proportion of American to the total was quite different, averaging 44 percent for the 10 seasons ended 1932-33, 31 percent in 1935-36, and 26 percent this season. (See table at end of the report.) 1/ American and Sundries in running bales; Indian and Egyptian, running bales converted to bales of approximately 478 pounds net by multiplying by 0.8 and 1.5 respectively. (See table at end of report.)

World mill consumption of foreign cotton, most of which takes place in foreign countries, was much larger during the 6 months from August through January than in any corresponding period on record. In the first half of the 10 seasons ended 1932-33, world mill consumption of foreign cotton averaged a little more than 5,000,000 bales. In 1935-36 it amounted to nearly 7,100,000 bales and in the first half of the present season (August to January) to nearly 7,900,000 bales or 58 percent more than the 10-year average. Consumption of all three major divisions of foreign cotton, Indian, Egyptian, and sundry growths, has been very heavy so far this year. World utilization of Indian cotton of 2,363,000 bales was 7 percent larger than in the first 6 months of 1935-36 and 8 percent higher than the 10-year average. World consumption of Egyptian cotton amounted to 883,000 bales. This was slightly larger than consumption in the corresponding period last season and was a record high (consumption by 6-month periods available since 1923-24.)

World mill consumption of sundries shows the most pronounced growth. In the first half of this year mill consumption of these growths totaled 4,620,000 bales, or 15 percent greater than last season and 118 percent larger than the 10-year average. In the 10 years ended 1932-33, the consumption of sundry growths by foreign mills was equivalent to 57 percent of their consumption of American and represented about 25 percent of their consumption of all kinds of cotton. So far this season, the quantity of sundries consumed by foreign mills amounted to about 1½ times foreign consumption of American and represented approximately 40 percent of foreign consumption of all kinds of cotton.

#### Domestic consumption continues at record levels

Mill activity and cotton consumption in the United States have continued at exceptionally high levels. In February, domestic mills used 664,000 bales of cotton or 29 percent more than in February 1936. This was a record high consumption for the month. Consumption in the 7 months ended February amounted to 4,513,000 bales, nearly 1,000,000 bales or 28 percent more than in the corresponding period a year earlier. During most of the month of February, mill sales of goods lagged behind mill output but activity was well maintained on the basis of old orders. Early in March, a new wave of buying set in, and during the first half of the month sales were apparently in excess of current output. The continuation of the very large volume of unfilled orders makes it seem likely that activity will stay well up around present levels for at least the next few months. Mill margins (based on 17 constructions of grey cloth) averaged 17.86 cents in February, a slight decline from January's 18.22 cents, but with that exception were the highest average monthly margins for any month since October 1925. In the first 3 weeks of March an advance on cloth prices kept margins comparatively high in spite of the sharp increase in raw cotton prices. Margins in the first 3 weeks of the month averaged 17.69 cents.

Imports and consumption of all kinds of cotton by European Countries  
very large in first half of present season 1/

United Kingdom. British mill takings of raw cotton so far this season foreshadow the largest year's business in a decade, yet American cotton is not sharing in this striking trade recovery. The takings of American cotton to date are the lowest in many years, except for the two very unfavorable seasons 1930-31 and 1934-35, but the heavy movement of other growths, notably Brazilian and Indian, has carried total takings to levels well above even the high figures for the first half of last season. These developments are attributable to keen demand in the United States, large supplies of competitive cotton, and resultant adverse price relationships for American staples.

During the six months, August through January, total imports of 1,753,000 bales of 478 pounds net were 6.4 percent higher than a year ago and the largest in several years. Imports from the United States, however, were less than last year, and, omitting long staple cotton, if any, were only 737,000 bales - a decrease of 17 percent. On a weight basis, American cotton constituted only 42 percent of the total 6 months' imports as compared with 54 percent a year ago.

A striking development in imports was the sharp rise in takings of short and medium staple cotton. Imports of short and medium staple cotton from India amounted to 164,000 standard bales, or 40 percent more than a year ago. The proportion of short staple cotton from India was higher than last year. Imports of Brazilian cotton of medium staple were 182,000 standard bales, an increase of 169 percent. From Egypt, imports of long staple decreased 12 percent, but imports of medium staple increased 30 percent, bringing each of these figures to about 183,000 bales. The net result was that total imports of short staple cotton (mostly from India) increased 31 percent and medium staple cotton 8 percent, while long staple cotton decreased 9 percent.

Cotton cloth sales appear to have slackened somewhat during February, although the inquiry for goods is being well maintained. The home market continues strong and complaint is still heard of the inability of buyers to obtain early delivery on new orders. In the export trade, however, new business is said to be generally for smaller lots than was usual a few weeks ago. There nevertheless appears to be enough business on the books to keep looms well occupied for several months ahead, and spinners find little difficulty in booking new orders for medium and coarse yarns, especially warp styles. Some idle machinery has been started, and projects are known to be under consideration for resumption of operations in mills which have been closed for some time.

Germany. Both German imports and mill consumption of raw cotton fell off during the first half of the 1936-37 cotton year. The drop in imports was very heavy amounting to only 69 percent of those of a year earlier. Net imports in the 6 months ending January 31 amounted to only 502,200 bales of 478 pounds against 723,200 bales of 473 pounds in the same period in 1935-36, 380,000 bales in 1934-35, 812,000 in 1933-34 and an average of 822,000 in the 5 years 1926-27 to 1931-32.

1/ Prepared largely from a report from Agricultural Attaché Loyd V. Steere at Berlin.

Mill consumption of raw cotton during the half-year also has declined, but to a less extent than have imports - because of two reasons. First, there was a further reduction in inland stocks, and secondly, German re-exports of raw cotton from within customs boundaries have fallen to very negligible amounts.

The decline in total mill consumption of raw cotton in the half year ended January 31, 1937, compared with this 6-month period in the 2 previous years, has taken the form of a further drastic curtailment in the utilization of American cotton. Only 19 percent of total German raw cotton imports came from the United States during that period, compared with 33 percent a year earlier, 43 percent 2 years ago, and 79 percent in the first half of 1932-33. The effects of the German currency situation and the relatively high price of American cotton in relation to other growths, have thus combined to reduce mill takings of American cotton, or rather to reduce purchase permits by the Supervisory Office, to a record low. Conversely, the utilization of cottons was driven up, for the same reasons, to a record high, and is estimated to have reached 56 percent of total consumption in the first half of the present season, as against only 2 percent in the first half of 1928-29.

The fact, however, that total mill consumption of raw cotton by German spinners in the first half of the current season was the lowest recorded since the post-war stabilization of the Reichsmark, with the exception of the crisis half-year ended January 31, 1931, is very misleading in one important respect. It does not mean that cotton mill activity has shown a corresponding decline. On the contrary, German mills have been in a position to maintain activity and output on high levels - through greatly increased utilization of substitute spinning materials. It may be estimated that in the first half of 1936-37 spinners consumed almost 300,000 bales of such materials, compared with only about 100,000 in the first half of 1932-33.

Estimated total cotton mill consumption of spinning material,  
1932-33 to 1936-37

Spinning material	Half-years, Aug-Jan.				
	: 1932-33	: 1933-34	: 1934-35	: 1935-36	: 1936-37
	: bales	: bales	: bales	: bales	: bales
Raw cotton .....	576	745	578	610	562
Imported cotton waste, etc.:	40	20	106	60	97
Staple fiber .....	20	25	30	52	79
Domestically reclaimed ....: (cotton, etc)	50	60	60	90	100
Total .....	686	850	774	812	838
Bales of 478 pounds.					

A comparison of the replacement of American cotton in the first half of 1936-37 as against the first half of 1933-34, when total mill consumption figures for spinning material were about equal, gives the following picture:

German mill consumption of cotton by growths, and other  
spinning materials, 1933-34 and 1936-37

Half- years	:	:	:	:	:	Import-	:	Domesti- cally re- claimed
Aug.- Jan.	:	Ameri- can	Indian	Egypt- rian	Sun- dries	Total cotton	ed waste, etc.	fiber claimed
	:	1,000 bales	1,000 bales	1,000 bales	1,000 bales	1,000 bales	1,000 bales	1,000 bales
1933-34	:	543	70	93	39	745	20	25
1936-37	:	97	72	73	320	562	97	79
Plus or minus	:	-446	+ 2	-20	+281	-183	+77	+54
								+40

Bales of 478 pounds.

It may be said, therefore, that of a total displacement of 446,000 bales of American, about 65 percent was replaced by the substitution of exotic cottons, 25 percent by the substitution of imported cotton waste, etc., and domestically reclaimed cotton (from rags, etc.), but only about 10 percent by the substitution of staple fibers. The major factor in the reduction of German mill consumption of American cotton is thus seen to have been the increased utilization of exotic or sundries cottons, though the use of substitute spinning materials also has been of great importance. Exotic cotton, as well as most of the substitute imports of cotton waste, etc., have been available to Germany under bilateral trade agreements.

Although actual figures are not published, mill stocks of raw cotton are estimated to have fallen to about 100,000 bales of 478 pounds on January 31, 1937, compared with an estimated 200,000 bales on January 31 last year. Total inland stocks of raw cotton may be estimated to have developed as follows:

Location	Jan. 31				
	1933	1934	1935	1936	1937
	1,000 bales	1,000 bales	1,000 bales	1,000 bales	1,000 bales
Mill stocks .....	172	261	140	200	100
Other inland stocks .....	196	233	200	210	165
Total stocks .....	368	494	340	410	265

Bales of 478 pounds.

Czechoslovakia.-

/ Mill occupation and output in the Czechoslovakian cotton textile industry undoubtedly have benefited from the substantial revival in general economic conditions evident in 1936, even though gains in exports of yarns and fabrics have so far been rather moderate. A strong rise in prices of cotton manufactures, partly incident to devaluation, is complained of by the trade, and, after a period of active export selling, Czech cotton textile export prices are now spoken of as somewhat out of line.

The Czech foreign trade figures for cotton in 1936 show good improvements over 1935. Imports of raw cotton and exports of cotton yarns in 1936 were higher than in 1935 because of improvement in the first half of the year; but in the second half of 1936, returns were again lower than in the second half of 1935. Exports of fabrics in 1936 were only slightly above 1935, and it is significant to note that exports of cotton fabrics, calculated on a weight basis, are now only about half as large as yarn exports, whereas, the relationship used to be about the reverse prior to 1929.

Austria.- Favorable developments in the Austrian cotton textile situation have persisted until recently, despite occasional recessions in the yarn export business to Rumania. Mill activity in both spinning and weaving plants has remained relatively high, though, on the whole, somewhat below the comparable period of last year, and it is said that the winter business of the industry has not been as good as last year.

The recent formation of a weavers' cartel in Austria is being sharply criticized. Prices of cotton fabrics have been raised 18 to 35 percent with an indicated average of 30 to 32 percent. Weavers claim that they have been forced to these measures by the yarn prices demanded by the spinners' cartel. Proponents of consumer interests urge a loosening of import restrictions and the reduction of import tariffs on yarns and fabrics. In any event the sale of cotton goods in Austria and, therefore, mill occupation seem almost certain to be unfavorably affected by these price increases.

The figures on Austrian foreign trade in cotton and cotton goods in 1936 are encouraging. Considerably higher imports of raw cotton than in 1935 have coincided with considerably higher exports of yarn, though in both cases the rise over 1935 was much more marked in the first half than in the second half of the year. Nevertheless, net imports of raw cotton in the half year ended January 31 were nearly as large as the record imports in the corresponding period last season, and were 62 percent larger than net imports in the year 1929-30 to 1930-31.

Poland.- Polish imports of raw cotton so far this season (August-December 1936) have amounted to 132,000 bales of 478 pounds or only slightly below the 136,000 bales in the same period last year. Mill activity also shows a slight drop from last year's early season figures, but the general level of occupation is well above the corresponding period in the critical seasons 1931-32 and 1932-33.

France.—The French cotton textile industry has played an important part in the favorable turn which economic conditions took in France in 1936. Occupation of both spinning and weaving mills has risen appreciably during the year; stocks on hand in the mills have declined, and unfilled orders have soared. Many mills are sold out for several months ahead, some in Normandy even to the end of 1937.

True, much of this revival has been speculative, or at least of an "advance buying" character, in the face of currency devaluation, wage increases and substantial rises in prices. But the refilling of goods stocks in trade channels has long been overdue and need not result in a prolonged buying holiday later, since larger stocks will be required with an all-round speeding up in general economic activity. In view of the improvement in general business in France there is every reason to view with confidence the underlying outlook for the cotton industry, though a temporary reaction in business is not altogether improbable. The introduction of the 40-hour week in the textile mills at the beginning of 1937 cannot but tend to bring about some temporary recession in cotton consumption and mill output. The further increase in prices which followed upon that measure — the wages formerly paid for 48-hour week are now being paid for 40 hours — may well cause, also, some pause in buying, yet these do not seriously impair the general outlook.

French imports of raw cotton continue to show a steady rising tendency, compared with similar periods in recent years, total takings in August-December 1936 amounting to 526,000 bales against 460,000 and 380,000 bales, respectively, in the same period of 1934 and 1935. Imports, however, are still much below the average of 743,000 bales in August-December 1926-27 to 1930-31.

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Italy.—In the absence of any official statistics on raw cotton imports (as well as on consumption) by Italy in 1936, reliance must be on rough approximations calculated by deducting estimated shipments in transit to other countries from total estimated arrivals of raw cotton in Italy. The balance gives some indication of what the country's retained raw cotton imports have been.

Slightly more than 500,000 bales (including linters to the extent of about 10 percent) are obtained by this method for Italy's imports of cotton in 1936. American cotton comprised about 66 percent of the total cotton shipments assumed to have been retained in Italy in 1936, Egyptian cotton around 13 percent, and Indian cotton about 9 percent. Of the remaining 12 percent a large part undoubtedly consisted of Brazilian and Argentine cotton. From a comparison with official import data for 1935 it would appear that total 1936 cotton and linters imports by Italy were about 25 percent below the already much reduced importation of 1935. In past good years Italy used to import around one million bales.

Estimated cotton imports in the half-year August-January 1936-37, were 270,000 bales of 478 pounds, of which 54 percent or 145,000 were American, 15 percent or 40,000 bales Indian, 19 percent or 51,000 bales Egyptian, and 12 percent or 34,000 bales sundries cotton, largely Brazilian.

1/ Based on reports of the American Consulate General at Milan.

Mill consumption of raw cotton in the first half of 1936-37 may be placed at, roughly, 300,000 bales of 478 pounds, or half of the estimate for the total season 1935-36. Distribution by growths would appear to have been about in the proportions indicated above for imports from August through January. Mill stocks of cotton are said to be very small, and at the end of January 1937, were probably between 20,000 and 40,000 bales compared with 200,000 to 300,000 in normal years.

Mill Consumption and Output of Cotton Goods Very High in Japan and China - Japanese Imports of American Below Last Year 1/

Japan.

Yarn production in Japan in February amounted to 330,000 bales of approximately 400 pounds. This compares with 295,400 bales in February 1936, and is the largest yarn output for any month on record. The very large production of yarn in recent months has been accompanied by a more than proportionate increase in the production of medium and fine counts. This increase in the absolute and relative importance of medium and fine yarn is in part the reflection of a larger demand for better quality cotton textiles by consumers as a result of improved world economic conditions and larger incomes. It also indicates, however, an increased technical skill on the part of the Japanese manufacturer and cotton operative with a consequent ability to produce profitably a higher quality goods in competition with the old and long established cotton industries of Europe and the United States.

This upward trend in the production of the better quality cotton textiles by Japan has been in evidence for some years. It has been a very important influence tending to increase the proportion of total Japanese mill consumption represented by American cotton, since the longer stapled and better quality American cotton is more suitable to the production of medium and fairly high quality yarns than is Indian cotton, the chief competitor of American cotton in Japan. In 1934-35 and 1935-36, however, the share of American in total consumption decreased in spite of a continued increase in the relative importance of medium and high quality yarn due to the high price of American cotton relative to foreign growths. Apparently the decline in the relative importance of American cotton is continuing this season largely as a result of continued relatively low prices and increased supply of foreign cotton. Other factors have been partly responsible for the lesser importance of American cotton in recent months, and they are related to some extent to the fact that the price of American has been relatively high. These are, a difficulty in obtaining desirable qualities of American cotton because of the very brisk demand for these qualities by the textile industry in the United States, the shipping strike in the United States, and the operation of the Japanese import licensing system.

1/ Prepared partly from cables received from Agricultural Commissioner Dawson at Shanghai under date of March 12 and 20.

Imports of all kinds of cotton in February were 378,000 bales, compared with 390,000 bales in the corresponding month a year earlier. Imports of American of 77,000 bales amounted to less than half of the imports in February 1936 and February 1935, whereas imports of all growths other than American were one-third larger than in the corresponding month of the 2 preceding years. In the 6 months, September through February of this season, imports of all kinds of cotton were 2,166,000 bales or 22 percent more than in the same period a year earlier. Imports of the principal kinds of cotton as a percentage of imports in the same 6 months of the preceding season were as follows: American 18 percent smaller, Indian 58 percent larger, Egyptian 80 percent larger, and Sundries 105 percent greater.

#### China

Arrivals of Chinese cotton at Shanghai were very large during February. Stocks in mills are estimated to be equal to 3 months' requirements. In spite of heavy arrivals of Chinese cotton and comparatively large stocks, it is estimated that stocks in the interior amount to one-third of the present season's crop (crop now estimated at 3,650,000 bales). Chinese mill activity has continued at an exceptionally high rate, and on the basis of present prospects Chinese mill consumption this season will amount to about 2,500,000 bales of 500 pounds, a record high. Mill consumption in the 10-year period ended 1932-33 averaged a little more than 2,000,000 bales.

Spinners' margins showed some decrease in February owing to a decrease in yarn prices and a continued firmness in the price of raw cotton. The fact that the price of Chinese cotton did not follow the rise which occurred in cotton prices in world markets has resulted in the price of Chinese cotton being almost low enough to permit the export of considerable quantities of spinnable cotton. Exports to date, however, have been comparatively small. Some months ago it was anticipated that the bumper Chinese crop would cause the price of Chinese cotton to fall below the point where the tariff would be effective and that exports would be comparatively large as a result. To date, however, the price of Chinese cotton has been held above export levels by the unexpectedly heavy demands of the Chinese Cotton Manufacturing industry.

#### Production, Acreage and Crop Conditions

##### United States

The report of farmers' intentions to plant, issued March 19, covered all major farm products except cotton. This crop is omitted because the Bureau of Agricultural Economics is legally prohibited from compiling and publishing reports stating the intentions of farmers as to the acreage to be planted in cotton. The first official estimate of acreage of cotton in cultivation will be issued July 8 by the Crop Reporting Board.

Egypt

Ginnings up to March 1 totaled 1,776,000 bales of 478 pounds net, of which 98,000 bales were Sakellaridis and 1,630,200 bales other varieties (including Scarto). Total ginnings so far this year are 12 percent larger than ginnings up to the same date last year. Ginnings of Saks are 40 percent smaller and all other varieties 24 percent larger. Trade reports state with respect to the new crop that planting is in full swing in Upper Egypt and some early sowing has taken place in the Delta. Weather conditions are reported to be reasonably good, and while no acreage figures are available, the trade believes that Egyptian acreage will be as large as in 1936-37.

Brazil

Heavy rainfall is reported to have occurred in the cotton growing regions of Sao Paulo during January, but apparently the new cotton crop has not been extensively damaged. It is also reported that several plant pests which had been expected to cause considerable damage have been less harmful than was expected. Generally favorable temperature and rainfall conditions and a small or moderate amount of damage from insect pests indicate a comparatively high yield per acre on an area which, judging from the seed distributed for planting purposes, is considerably larger than last year. With favorable conditions for growing and maturing, this should mean a new record high production in Southern Brazil this year. On the basis of average growing conditions and the normal length of time required to mature the cotton plant, the picking of cotton in Southern Brazil should have commenced in late February or in early March.

The State of Parana (Southern Brazil), which heretofore has not been an important cotton producing area, is reported to have increased its cotton acreage this season as a result of persistently low prices for coffee.

Evidence of continued efforts of the various branches of the Government in Brazil to encourage cotton growing is given by a law of the State of Bahia on December 13, 1936, which provides that any new industry which may be established in the State after the passage of the law, and, in addition, all cotton presses baling cotton for export, will be exempted from the State's industrial, professional, and export taxes during the next 9 years.

China

The comparatively large income received this season by Chinese cotton growers as a result, on the one hand, of a large crop and, on the other, of an unexpectedly high price resulting from a brisk demand for cotton by the Chinese cotton spinning industries gives prospect of resulting in an increase in cotton acreage this spring. It is reported that deficient soil moisture to date makes it doubtful whether there will be any increase in the cotton area in North China. It is believed, however, that some increase in acreage will take place in 1937 as compared with 1936 in the Yangtze Valley. While it is much too early to make any forecasts of the 1937 acreage figure, it seems likely that with average weather conditions acreage will be at least as large and probably larger than the record acreage of the 1936-37 crop.

Cotton, World: :ill stocks by growths, August 1, and February 1, average 1923-24 to 1932-33,  
annual 1930-31 to 1936-37

Season	American	World	Foreign countries	Indian	Egyptian	Sundries	All kinds
beginning:	Aug. 1: Feb. 1	Aug. 1: Feb. 1	Aug. 1: Feb. 1	World	World	World	Foreign countries
August	1,000 1,000	1,000 1,000	1,000 1,000	1,000 1,000	1,000 1,000	1,000 1,000	1,000 1,000
bales bales	<u>1</u> / <u>1</u>						
Average :	1923-24 t.)	2,744 2,706	1,070	1,799	1,264	804	291
1932-33 :							
1930-31 :	1,985 2,429	937	907	1,364	983	325	28?
1931-32 :	1,872 2,777	950	1,194	1,274	802	300	660
1932-33 :	2,542 2,703	1,379	1,248	835	387	328	298
1933-34 :	2,557 2,877	1,259	1,320	1,221	977	346	355
1934-35 :	2,304 2,144	1,132	995	1,335	996	395	432
1935-36 :	1,734 2,247	955	843	1,248	809	407	420
1936-37 :	1,572 2,773	716	739	1,279	1,026	380	404

Computed from data reported by the International Federation of Master Cotton Spinners' and Manufacturers' Associations except as follows:  
The United States, from reports of the Bureau of the Census; China, from reports of the Chinese Cotton Owners Association; Germany for 1935-36 and Italy for 1935-37, estimates of the Bureau of Agricultural Economics.

1/1 American and Sundries in running bales; Indian and Egyptian in bales of approximately 500 pounds, converted from running bales by considering 1 Indian bale equal to 0.8 bale and 1 Egyptian bale equal to 1.5 bales.

Cotton: Mill consumption, by growths, average 1923-34 to 1932-33, annual 1930-31 to 1935-37

Computed from data reported by the International Federation of Master Cotton Spinners' and Manufacturers' Associations as follows:

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United States, from Reports of the Bureau of the Census; China, from reports of the Chinese Cotton Millowners Association; Germany in 1935-36 and Italy in 1935-36 and 1936-37, estimated by

1/ American and Sundries in running beles; Indian and Egyptian in bales of approximately 500 pounds, converted from running bales by consicering 1 Indian bale equal to 0.8 bale and 1 Egyptian bale equal to 1.5 bales.